

AR44

d'eldona

1980

thirty-fifth
annual report

D'ELDONA GOLD MINES LIMITED
FOR THE YEAR ENDED APRIL 30, 1980

D'ELDONA GOLD MINES LIMITED

Incorporated under the laws of the Province of Ontario

CAPITAL

Authorized 8,000,000 Shares

Issued 6,060,000 Shares

OFFICERS

MURRAY COOPER *President*

ROBERT M. SINCLAIR *Vice-President*

C. DOUGLAS CAMERON *Secretary-Treasurer*

BRUCE A. BLACKBURN *Asst.-Secretary*

DIRECTORS

BRUCE A. BLACKBURN

C. DOUGLAS CAMERON

MURRAY COOPER

IRWIN A. WALLACE

H. GRANT HARPER, P.ENG.

TRANSFER AGENT AND REGISTRAR

CANADA PERMANENT TRUST COMPANY Toronto

Vancouver

AUDITORS

LAVENTHOL & HORWATH Toronto

SHARES LISTED

Toronto Stock Exchange

Montreal Stock Exchange

Vancouver Stock Exchange

HEAD OFFICE:

Suite 1014, 111 Richmond Street West

Toronto, Ontario

M5H 2G4

D'ELDONA GOLD MINES LIMITED

To The Shareholders

We are pleased to report that during the 1979-1980 fiscal year your Company participated in the drilling of thirty-eight wells. This represents the greatest number of well participations in any like twelve month fiscal period.

The drilling program resulted in twenty-one successful wells, of which four are producing oil wells, one producing gas well, sixteen shut-in gas wells and seventeen abandonments. Exploration and development costs including expenditures for well equipment represented an outlay of \$1,789,378 as compared to \$692,274 for the corresponding prior year.

It is of interest to note that the Company is now benefitting from its initial oil production. Prior to this time the Company's revenue in Alberta was from gas alone.

EXPLORATION & DEVELOPMENT

Liard, Northwest Territories

The Company proceeded in the drilling of a large anticlinal structure in the southern section of the Northwest Territories. The well reached a total depth of 3120 metres during the past year. Gas flows were tested from the top several hundred feet of the well at the time of drilling but these tests did not prove of a sufficient rate to be commercial. The operator is currently production-testing the well to see if commercial flows can be obtained.

Cowpar, Alberta

The Company has an interest in five gas wells. The gas is contracted to Pan-Alberta Gas Ltd. and the indicated initial production date is April, 1982. The Daily Contract Quantity (DCQ) in the contract has been set at 6.3 MMcf/d. One or two additional wells are planned for this winter. Pipeline and plant facilities should be installed in the first three months of 1982 to meet anticipated production date.

Cameron Hills, Alberta & Northwest Territories

The Company participated in the drilling of seven wells in these areas. Three of these are successful gas wells. One is a marginal oil/gas well awaiting further testing and one well is suspended awaiting freeze-up so that drilling may be completed. Two wells were abandoned. The Company has elected to participate in the drilling of one additional well and has an opportunity to participate in two more wells.

Granor-Livock, Alberta

The Company, mainly through a drilling program conducted in the winter season of 1978-79, holds varying interests from 6.25% to 20% (mostly 20%) in twenty-six shut-in gas wells in these two fields. The gas reserves in both

fields are contracted to Pan-Alberta Gas Ltd. for delivery in April, 1982. The DCQ in the Granor area is 12.5 MMcf/d and at Livock 4.2 MMcf/d. The Company also holds varying interests for Heavy Oil Leases in these areas.

Berry, Alberta

Your Company participated in a successful gas well located at 10-7-27-12 W4M and production tests have been run showing excellent production reserves. The operator is attempting to find a market for the gas. One of the lower zones may be tested in the coming year to determine if it is potentially oil productive.

Mikwan, Alberta

The Company earned a 2% working interest in one oil well and a 1% interest in a second well. The wells have just gone on production at close to 400 BOPD combined.

Cygnet, Alberta

The Company has an interest in two oil wells at Cygnet which are producing at approximately 15 to 25 BOPD respectively.

Nestow, Alberta

A 16 $\frac{2}{3}$ % interest is held by the Company in five producing gas wells from which a monthly revenue has been derived. In the Fall of 1979 a well was drilled at 2-06-60-23 W4M which is classified as a potential gas well and is awaiting future markets.

McLeod River, Alberta

The Company holds an interest in one gas well at 6-9-55-14 W5M which is expected to go on production in early 1981.

Edson, Alberta

A 4% working interest is held by the Company in eighteen sections of land and four gas wells.

Haight, Alberta

At Haight, some forty miles east of Edmonton, the Company owns an interest in four capped wells and the operator, Dome Petroleum Limited, is currently testing the wells with a view to possibly placing them on production.

ALBERTA & BRITISH COLUMBIA (OTHER AREAS)

At Flat Lake, Alberta, the Company has an interest in a gas well with significant gas reserves in the Nisku formation and at Horizon and House in Northeastern Alberta the Company has an interest in four Devonian gas wells. In addition, the Company holds an interest in a good multi-zone well at Knappen, Alberta, just two miles north of the U.S. border and a producing gas well at Warwick, Alberta. The Company also proceeded with a well at Helmet, British Columbia, resulting in a capped gas well.

MINING INTERESTS

Your Company has entered into an agreement with Falconbridge Nickel Mines Limited and Falconbridge Copper Limited concerning the Delbridge Mines property in Rouyn Township, Quebec. The Falconbridge companies will provide exploratory funds with D'Eldona retaining a 19.6% interest in the Joint Venture. When mining was last carried out on the property, a period from October 1969 to September 1971, production was 4,341,000 pounds copper, 68,199,000 pounds zinc, 26,000 ounces gold and 780,000 ounces silver from which Delbridge paid dividends of \$4,563,000.

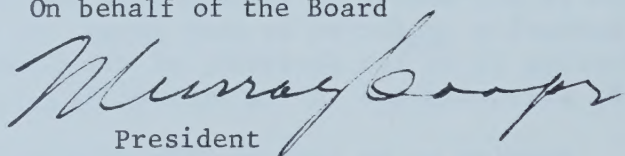
A work progress report dated September 5, 1980 received from Falconbridge Copper advised that the first hole was drilled on the property to a depth of 2837 lineal feet inclined at -88° West. A second hole (F-240) is scheduled to start drilling by mid-September and is designed to test the same contact approximately 400' to the south.

The Company continues to hold a 26% interest in Kerralda Mines Ltd. and 133,333 shares of South Dufault Mines Ltd.

GENERAL

In the opinion of Management the recent approval of the construction of the Foothills Pipe Line will allow for the Cowpar and Granor-Livock properties to come on production in early 1982. By this date production should also be achieved at McLeod River and perhaps at Haight and Edson. The foregoing would represent significant developments and the coming on stream of these new fields should substantially improve the Company's cash flow.

On behalf of the Board

A handwritten signature in dark ink, appearing to read "Murray Cooper", written in a cursive style.

President

September 29, 1980.

D'ELDONA GOLD MINES LIMITED
Suite 1014, 111 Richmond Street West
Toronto, Ontario

INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation by management of D'ELDONA GOLD MINES LIMITED ("the Company") of proxies to be used at the Annual Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the Notice of Meeting. It is expected that proxies will be solicited primarily by mail and may also be solicited by regular employees of the Corporation at nominal cost. THE COST OF SOLICITATION BY MANAGEMENT WILL BE BORNE BY THE COMPANY. All information set forth herein is as at September 29, 1980.

APPOINTMENT, REVOCATION AND DEPOSIT OF PROXIES

The persons named in the enclosed form of proxy are officers and/or directors or nominees of management of the Company. A SHAREHOLDER HAS THE RIGHT TO APPOINT ANY OTHER PERSON TO REPRESENT HIM AT THE MEETING AND MAY DO SO BY INSERTING IN THE BLANK SPACE PROVIDED IN THE SAID FORM OF PROXY THE NAME OF THE PERSON, WHO NEED NOT BE A SHAREHOLDER, WHOM HE WISHES TO APPOINT, OR BY COMPLETING ANOTHER PROPER FORM OF PROXY AND IN EITHER CASE, DELIVERING THE COMPLETED PROXY TO THE SECRETARY OF THE COMPANY.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering same to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the meeting, or (c) by attending and voting personally.

Proxies to be used at this meeting of shareholders must be deposited at the office of the Company, Suite 1014, 111 Richmond Street West, Toronto, Ontario, or with Canada Permanent Trust Company at their offices at 20 Eglinton Ave. West, Toronto, Ontario before 10:30 a.m. on October 27, 1980.

MANNER OF VOTING AND EXERCISE OF DISCRETION BY PROXIES

The shares represented by proxies will be voted or withheld from voting in accordance with the instructions of shareholders on any ballot that may be called for and if a shareholder specifies a choice with respect to any matter to be acted upon at the meeting the shares will be voted accordingly.

Management knows of no matters to come before the meeting other than the matters referred to in the Notice of Meeting. However if any other matters which are not now known to management should properly come before the meeting, the shares represented by the proxies in favour of management will be voted on such matters in accordance with the best judgment of the proxy nominees.

On September 29, 1980, the Company had outstanding 6,060,000 common shares, each carrying the right to one vote. All shareholders of record at the time of the meeting will be entitled to vote at the forthcoming meeting of shareholders. To the knowledge of management the only person or Company which holds more than 10% of the issued and outstanding shares of the Company is Regal Finance Limited, 300 Barber Greene Road, Don Mills, Ontario, which owns 798,934 shares being approximately 13% of the issued and outstanding shares of the Company.

ELECTION OF DIRECTORS

The Board now consists of five directors to be elected annually. The persons named in the enclosed form of proxy intend to vote the shares represented thereby for the election of the nominees whose names are set forth below, all of whom are now members of the Board of Directors. Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Company.

The following table and notes thereto state the names of all persons proposed to be nominated by management for election as directors, their principal occupations or employments, the year in which they became directors of the Corporation and the number of shares of the Company beneficially owned directly or indirectly by each of them as of September 29, 1980.

| <u>Name</u> | | <u>Became Director</u> | <u>Common Shares</u> |
|--------------------|--|----------------------------|--------------------------|
| Murray Cooper | Mining Executive. | 1964 | 86 |
| C. Douglas Cameron | Retired Business Executive. | 1977 | 6 |
| H. Grant Harper | Economic Geologist and Professional Engineer. | 1973 | 1 |
| Bruce A. Blackburn | Retired since February 1980. Prior thereto was editor of a life insurance publication. | 1964 | 1 |
| Irwin A. Wallace | Notary Public and Insurance and Real Estate Broker. | 1979 | 1 |

Each of the above named persons has held the principal occupation or employment for the past five years, unless otherwise indicated. The information in respect of shareholdings has been provided by each of the nominees respectively.

Messrs. Cooper, Cameron and Blackburn are the President, Secretary-Treasurer and Assistant Secretary respectively of the Company. The Company does not have an executive committee of its Board of Directors. The Company is required to have an audit committee and same is composed of Messrs. Harper, Blackburn and Wallace.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Each officer and director of the Company is entitled to receive a fee of \$50.00 for each meeting of the Board of Directors and of the Shareholders attended.

The following sets forth the aggregate remuneration paid by the Company and its subsidiaries to its directors and officers during the Company's last completed financial year:

| <u>Aggregate Remuneration</u> | <u>pension Benefits</u> | <u>Retirement Benefits</u> |
|-----------------------------------|-----------------------------|--------------------------------|
| \$ 40,250 | Nil | Nil |

No officer or director of the Company is indebted to the Company in any amount.

By an agreement dated November 7, 1977, Murray Cooper, the President of the Company was granted the option to purchase 25,000 shares of the Company at the price of 62¢ per share. On August 1, 1978 Mr. Cooper took down and paid for 15,000 shares, particulars of which were set forth in the 1979 information circular. On January 22, 1980, Mr. Cooper took down and paid for the balance of 10,000 shares. During the 30-day period preceding this final exercise of his option, shares of the Company traded in a range from a low of \$1.45 per share to a high of \$2.10 per share.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Laventhol & Horwath, Chartered Accountants, Toronto, Ontario, as auditors of the Company to hold office until the next annual meeting of shareholders.

Toronto, Ontario
September 29, 1980.

LAVENTHOL & HORWATH

CHARTERED ACCOUNTANTS

120 ADELAIDE STREET WEST
TORONTO, CANADA M5H 1T6
TELEPHONE: 416 - 862-7900
TELEX: 06-23545

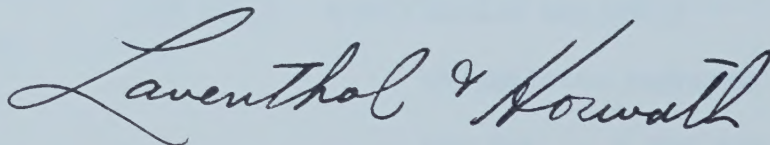
A MEMBER OF
HORWATH & HORWATH INTERNATIONAL
WITH AFFILIATED OFFICES WORLDWIDE

AUDITORS' REPORT

To the Shareholders of
D'Eldona Gold Mines Limited

We have examined the consolidated balance sheet of D'Eldona Gold Mines Limited as at April 30, 1980 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at April 30, 1980 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A stylized, handwritten signature in cursive script that reads "Lavenhol & Horwath". The letters are fluid and connected, with a large, sweeping 'L' and 'H'.

Toronto, Ontario,
September 23, 1980.

Chartered Accountants.

D'ELDONA GOLD MINES LIMITED AND SUBSIDIARY
(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET - APRIL 30, 1980

| ASSETS | <u>1980</u> | <u>1979</u> |
|--|------------------|------------------|
| Current: | | |
| Cash and short-term deposits | \$1,122,924 | \$1,583,399 |
| Marketable securities, at cost, market value of \$1,364,780 (1979 - \$1,441,850) | 1,060,131 | 1,227,934 |
| Interest receivable | 28,820 | 22,400 |
| Accounts receivable | 33,129 | 44,392 |
| | <u>2,245,004</u> | <u>2,878,125</u> |
| Investment in other companies: | | |
| Investment in shares of Aldona Mines Limited, at cost | - | 96,676 |
| Investment in shares of other companies, at nominal amount | 3 | 3 |
| | <u>3</u> | <u>96,679</u> |
| Capital assets: | | |
| Oil and gas properties, at cost less amortization of \$44,561 (1979 - \$29,516) | 3,505,703 | 1,893,829 |
| Oil and gas well equipment, at cost less accumulated depreciation of \$43,153 (1979 - \$31,262) | 157,948 | 119,885 |
| Office equipment and leaseholds, at cost less accumulated depreciation and amortization of \$10,879 (1979 - \$9,378) | 1,447 | 2,948 |
| | <u>3,665,098</u> | <u>2,016,662</u> |
| | \$5,910,105 | \$4,991,466 |
| | ===== | ===== |
| LIABILITIES | | |
| Current: | | |
| Accounts payable and accrued liabilities | \$ 549,572 | \$ 500,516 |
| Non-current: | | |
| Prepayments under gas sales contract | 31,210 | 16,758 |
| Deferred income taxes | 193,700 | - |
| | <u>574,482</u> | <u>517,274</u> |
| SHAREHOLDERS' EQUITY | | |
| Capital stock (Note 4): | | |
| Authorized: | | |
| 8,000,000 Shares, without par value | | |
| Issued: | | |
| 6,060,000 Shares (1979 - 6,050,000) | 3,047,183 | 3,040,983 |
| Retained earnings | 2,088,440 | 1,433,209 |
| | <u>5,135,623</u> | <u>4,474,192</u> |
| | \$5,910,105 | \$4,991,466 |
| | ===== | ===== |

See accompanying notes.

On behalf of the Board:

.....*Murray*.....(Director)
.....*Stemmer*.....(Director)

D'ELDONA GOLD MINES LIMITED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED APRIL 30, 1980

| | <u>1980</u> | <u>1979</u> |
|--|-----------------------------|-----------------------------|
| Revenue: | | |
| Gas revenue | \$ 64,461 | \$ 56,220 |
| Less expenses | <u>34,548</u> | <u>26,408</u> |
| | 29,913 | 29,812 |
| Interest | 264,114 | 201,126 |
| Dividends | <u>37,109</u> | <u>31,005</u> |
| | <u>331,136</u> | <u>261,943</u> |
| Administrative and general expenses: | | |
| Consulting fees | 22,240 | 35,450 |
| Directors' fees | 7,300 | 6,550 |
| General expenses | 17,190 | 13,321 |
| Legal and audit | 29,083 | 15,278 |
| Licenses and taxes | 5,867 | 3,607 |
| Officers' salaries | 32,950 | 19,200 |
| Rent | 11,029 | 10,156 |
| Salaries | 21,752 | 17,504 |
| Transfer agent and stock exchange fees | 22,671 | 10,210 |
| Depreciation of office equipment and amortization of improvements to leased premises | <u>1,501</u> | <u>1,500</u> |
| | <u>171,583</u> | <u>132,776</u> |
| Income before the write-off of abandoned properties and the undernoted items | 159,553 | 129,167 |
| Oil and gas properties abandoned | <u>112,505</u> | <u>266,665</u> |
| Income (loss) before the undernoted items | 47,048 | (137,498) |
| Gain on sale of marketable securities | 103,409 | 275,924 |
| Organization expenses written off | <u>-</u> | <u>(9,045)</u> |
| Income before income taxes and extraordinary item | 150,457 | 129,381 |
| Deferred income taxes | <u>29,500</u> | <u>-</u> |
| Income before extraordinary item (per share: 1980 - \$.020) | 120,957 | 129,381 |
| Gain on sale of investment in shares of Aldona Mines Limited (net of applicable deferred income taxes of \$164,200) | <u>534,274</u> | <u>-</u> |
| Net income for the year (per share: 1980 - \$.108; 1979 - \$.021) | 655,231 | 129,381 |
| Retained earnings, beginning of year | <u>1,433,209</u> | <u>1,303,828</u> |
| Retained earnings, end of year | <u>\$2,088,440</u> ===== | <u>\$1,433,209</u> ===== |

See accompanying notes.

D'ELDONA GOLD MINES LIMITED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED APRIL 30, 1980

| | <u>1980</u> | <u>1979</u> |
|---|----------------------|----------------------|
| Financial resources were provided by: | | |
| Income before extraordinary item | \$ 120,957 | \$ 129,381 |
| Items not affecting working capital | <u>170,442</u> | <u>301,806</u> |
| | 291,399 | 431,187 |
| Proceeds from: | | |
| Sale of investment in shares of Aldona Mines Limited | 795,150 | |
| Prepayments under gas sales contract | 14,452 | 16,758 |
| Sale of 10,000 shares (1979 - 15,000 shares) of the company's capital stock under option to officers | <u>6,200</u> | <u>9,300</u> |
| | <u>1,107,201</u> | <u>457,245</u> |
| Financial resources were used for: | | |
| Oil and gas properties | 1,739,095 | 950,077 |
| Oil and gas equipment | <u>50,283</u> | <u>41,534</u> |
| | <u>1,789,378</u> | <u>991,611</u> |
| Decrease in working capital | (682,177) | (534,366) |
| Working capital, beginning of year | <u>2,377,609</u> | <u>2,911,975</u> |
| Working capital, end of year | \$1,695,432 ===== | \$2,377,609 ===== |

See accompanying notes.

D'ELDONA GOLD MINES LIMITED AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 1980

1. Summary of significant accounting policies:

Principles of consolidation:

The consolidated financial statements include the accounts of the corporation and its wholly-owned subsidiary. The subsidiary has been inactive in recent years.

Oil and gas properties:

Lease acquisition costs and all exploration and development costs, including dry hole costs and lease rentals, are capitalized and are allocated to specific areas of interest.

When production from an area commences, the costs allocated to that area are amortized to income on the unit-of-production method based on the area's estimated recoverable oil and gas reserves. Oil and gas well equipment is depreciated on the unit-of-production method.

When an area of interest is abandoned, the applicable costs are written off to income in the year of abandonment.

2. Remuneration:

In addition to directors' fees and officers' salaries aggregating \$40,250 (1979 - \$25,750), consulting fees in the amount of \$21,450 (1979 - \$21,450) were paid to a corporation with which an officer is associated.

3. Income taxes:

No provision for income taxes is shown for 1979 because of the tax benefit realized from carry-forward of exploration and other costs expensed in prior years and not previously claimed for tax purposes. In the current year costs claimed for tax purposes exceeded amounts charged to income in the accounts, giving rise to a provision for deferred income taxes.

4. Capital stock:

During the year the company issued 10,000 shares of capital stock for \$6,200, pursuant to an option granted to an officer of the company to purchase 10,000 shares at 62¢ a share.

